

McPHERSON COUNTY LAW LIBRARY

McPHERSON COUNTY, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2015

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
McPherson County Law Library
McPherson County, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the McPherson County Law Library, McPherson County, Kansas, (Law Library), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Law Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly,

we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the McPherson County Law Library, McPherson County, Kansas, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The McPherson County Law Library has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Wichita, Kansas
July 6, 2016

BASIC FINANCIAL STATEMENTS

McPHERSON COUNTY LAW LIBRARY
McPHERSON COUNTY, KANSAS

STATEMENT OF NET POSITION
AND
GOVERNMENTAL FUND BALANCE SHEET

December 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and investments	\$ 48,007	\$ —	\$ 48,007
Due from District Court	<u>1,349</u>	<u>—</u>	<u>1,349</u>
Total Assets	<u>\$ 49,356</u>	<u>—</u>	<u>49,356</u>
<u>LIABILITIES</u>			
Accounts payable	\$ —	—	—
<u>FUND BALANCE/NET POSITION</u>			
Fund balance:			
Unassigned	<u>49,356</u>	<u>(49,356)</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 49,356</u>	<u>(49,356)</u>	<u>—</u>
Net position:			
Unrestricted		<u>\$ 49,356</u>	<u>\$ 49,356</u>

The accompanying notes are an integral
part of the financial statements.

**McPHERSON COUNTY LAW LIBRARY
McPHERSON COUNTY, KANSAS**

**STATEMENT OF ACTIVITIES
AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Year Ended December 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Operating contributions	\$ 18,431	\$ —	\$ 18,431
Interest earnings	<u>31</u>	<u>—</u>	<u>31</u>
Total revenues	<u>18,462</u>	<u>—</u>	<u>18,462</u>
Expenditures/expenses:			
Law Library – operations:			
Current:			
Personal services	960	—	960
Materials and services	<u>2,045</u>	<u>—</u>	<u>2,045</u>
Total expenditures/expenses	<u>3,005</u>	<u>—</u>	<u>3,005</u>
Revenues over (under) expenditures	15,457	(15,457)	—
Change in net position	—	15,457	15,457
Fund balance/net position:			
Beginning of year	<u>33,899</u>	<u>—</u>	<u>33,899</u>
End of year	<u>\$ 49,356</u>	<u>\$ —</u>	<u>\$ 49,356</u>

The accompanying notes are an integral
part of the financial statements.

McPHERSON COUNTY LAW LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The McPherson County Law Library (Law Library) was established pursuant to Kansas statutes and is governed by a Board of Trustees consisting of the District Court Judge and not less than two attorneys who shall be elected for two-year terms by a majority of the attorneys residing in McPherson County. All attorneys registered to practice in McPherson County pay an annual registration fee to the Law Library. In addition, a law library fee is assessed for cases filed with the District Court. These fees are used to maintain the Law Library with books, law materials and equipment.

Basis of presentation

The financial statements of the Law Library have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The Law Library's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The Law Library is engaged in a single governmental program therefore, the presentation of the fund financial statements and government-wide financial statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a single column. There are no differences in the reporting for the government-wide financial statements and the governmental fund financial statements.

Government-wide financial statements

The statement of net position and the statement of activities display information about the Law Library as a whole. The statement of net position presents the financial position of the governmental activities of the Law Library at year-end. The statement of activities presents a comparison between revenues and expenses for the Law Library's governmental activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund financial statements

During the year, the Law Library segregates transactions related to certain functions or activities in the General Fund in order to aid financial management and to demonstrate legal compliance. The focus of governmental fund financial statements is on major funds of which the Law Library only employs a General Fund.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Law Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period, if material.

The Law Library reports the following major governmental funds:

General Fund – to account for and report all financial resources not accounted for in another fund. All resources of the Law Library are accounted for in the General Fund.

Prepaid items

Insurance premiums and subscriptions extending over more than one accounting period have been treated as expenditures in the year of acquisition.

Inventories

Inventories of any office supplies are considered immaterial and expensed as incurred.

Capital assets

The Law Library investment in capital assets is insignificant and, accordingly, the Law Library reports no capital assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

The Law Library librarian is a part-time position and, accordingly, there are no benefits for vacation or other time-off with pay.

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations, if any, are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, if any, that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. At December 31, 2015, the Law Library had no long-term debt obligations outstanding.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The Law Library did not identify any financial statement balances that met the definition of a deferred outflow of resources or a deferred inflow of resources in the 2015 financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Law Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position balances are available, the Law Library's policy is to apply restricted net position balances first.

Fund Balance Classifications

The fund balances of the governmental fund type can include the following classifications:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained intact.
- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.
- Unassigned – this represents the residual classification for the General Fund.

Budgetary principles

Kansas statutes exempt the Law Library from filing a legal budget for its General Fund.

2. EXPLANATION OF DIFFERENCE BETWEEN THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Explanation of differences between the governmental funds balance sheet and the statement of net position

There are no differences at December 31, 2015 between the "total fund balance" of the Law Library's General Fund (\$49,356) and "net position" of governmental activities reported in the statement of net position. Differences normally result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the General Fund balance sheet. Since the Law Library does not own any long-term assets or incur any long-term debt obligations, these differences do not occur in the Law Library's financial statements.

Explanation of differences between governmental fund operating statements and the statement of activities

The "net change in fund balance" of the Law Library's General Fund (increase of \$15,457) does not differ from the "change in net position" of governmental activities reported in the statement of activities. Differences normally result from the long-term

2. EXPLANATION OF DIFFERENCE BETWEEN THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

economic resources focus of the statement of activities versus the current financial resources focus of the General Fund statement of revenues, expenditures and changes in fund balance. Since the Law Library does not own any long-term assets or incur any long-term debt obligations, these differences do not occur in the Law Library's financial statements.

3. DEPOSITS AND INVESTMENTS

Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories that may be used by governmental entities in Kansas. The statute requires banks eligible to hold the Law Library's funds have a main or branch bank in the county in which the Law Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The Law Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Law Library's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Law Library has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the Law Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Law Library's allocation of investments as of December 31, 2015, is as follows:

<u>Investment</u>	<u>Percentage of Investments</u>
Deposits at Sunflower Bank, McPherson, Kansas	100%

Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Law Library's deposits may not be returned or the Law Library will not be able to recover collateral securities in the possession of an outside party. The Law Library's policy follows applicable State Statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities.

3. DEPOSITS AND INVESTMENTS (continued)

At December 31, 2015, the carrying amount of the Law Library's deposits was \$48,007 and the bank balances were \$48,007. The bank balances were 100% covered by federal depository insurance at December 31, 2015.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 6, 2016, the date on which the financial statements were available to be issued.